

## EXECUTIVE SUMMARY

The Idaho economic outlook has been ratcheted down slightly since this summer. This adjustment reflects the third time this year we have reduced our employment forecast. At the beginning of the year nonfarm employment was expected to grow 2.5% per year from 2006 to 2010. In April 2007, this growth rate was reduced to 2.4%. In July 2007, we projected Idaho nonfarm employment would advance 2.3% annually. In the current forecast, nonfarm employment average growth is scaled back to 2.1%. These changes reflect the impacts of incorporating more up-to-date employment data, the lower growth trajectory for the national economy, and job reductions in the manufacturing sector. The 1,100-job reduction by Micron Technology was first incorporated into the July 2007 *Idaho Economic Forecast*. The company is the state's largest private employer, so its jobs cut will be felt both behind and beyond its gate. As was reported in July 2007, a reasonable estimate is that for every job lost at Micron, another one will be lost somewhere else in the economy. The state's housing sector's future is less bright than it appeared last summer, with both housing starts and construction employment adjusted downward from their previous levels. Specifically, there are 138 fewer starts in 2008, 561 fewer starts in 2009, and 637 fewer starts in 2010. These lower housing starts have dampened the current outlook for future construction employment. Last summer, construction employment was expected to go from about 52,100 jobs in 2006 to just under 49,600 jobs in 2010. However, construction employment drops off more steeply in the current forecast. It declines 1.7% annually, leaving construction employment about 840 jobs lower than in the July 2007 forecast. The good news is that while the Gem State's economy will stall, it will not stop. It will be carried by the nongoods-manufacturing sector, which is expected to see its job growth actually accelerate from 2.4% in 2007 to 3.1% in 2010. The following service components are major contributors to this sector's predicted success: professional and business, education and health, and leisure and hospitality. Idaho nonfarm employment is forecast to grow an average of 2.1% per year. At this rate the number of Idaho nonfarm jobs rises from 638,899 in 2006 to 693,178 in 2010. Over this same period, Idaho real personal income is forecast to expand at a 4.4% average annual clip.

Like the fall weather, the national economic outlook has cooled since the last *Forecast* was published in July 2007. This change can be seen in several economic measures. In July 2007, real GDP was expected to advance an average of 2.7% per year over the forecast period. In the current *Forecast* real GDP rises 2.4% annually. This difference may appear negligible, but as a result of the slower growth, real output is a quarter trillion dollars lower (2.0%) in 2010 compared to the previous forecast. These comparisons of annual projections provide an overview of how the national economic climate has changed recently. However useful, focusing on the annual numbers mask other important changes. In order to get a better grasp on the depth and duration of the slowdown, we turn to quarterly data. In July 2007 it was reported the economy would cool during the second half of this year and the first half of next year. Specifically, after spiking at a 3.8% annual rate in the second quarter of 2007, real output growth would downshift to under 3.0%, where it would remain until the third quarter of 2008. In terms of depth and duration, the slowdown in the October 2007 forecast is more severe than in the July 2007 forecast. Like in the previous forecast, real GDP growth drops below 3.0% beginning in the third quarter of this year, but continues until the fourth quarter of 2008. Because the recovery is delayed for one quarter, real GDP growth is weaker over this period. Specifically, real GDP expands 2.5% from the third quarter of 2007 to the third quarter of 2008. In comparison, real GDP increases 3.5% over this same period in the previous forecast. While the details differ, both forecasts agree the economy will be fragile over the next few months. The most likely path for the current forecast is for the economy to avoid a recession and begin picking up steam again in the second half of next year and continue expanding through 2010.

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
OCTOBER 2007**

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>U.S. GDP (BILLIONS)</b>												
Current \$	9,268	9,817	10,128	10,470	10,961	11,686	12,434	13,195	13,804	14,321	15,020	15,741
% Ch	6.0%	5.9%	3.2%	3.4%	4.7%	6.6%	6.4%	6.1%	4.6%	3.7%	4.9%	4.8%
2000 Chain-Weighted	9,470	9,817	9,891	10,049	10,301	10,676	11,004	11,319	11,542	11,778	12,123	12,460
% Ch	4.4%	3.7%	0.8%	1.6%	2.5%	3.6%	3.1%	2.9%	2.0%	2.0%	2.9%	2.8%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	29,068	31,290	33,054	33,849	34,816	38,123	40,414	43,917	47,235	49,869	52,840	56,363
% Ch	6.5%	7.6%	5.6%	2.4%	2.9%	9.5%	6.0%	8.7%	7.6%	5.6%	6.0%	6.7%
Idaho Nonfarm (Millions)	28,054	30,448	32,039	32,921	34,099	37,136	39,539	43,266	46,266	48,813	51,727	55,198
% Ch	6.5%	8.5%	5.2%	2.8%	3.6%	8.9%	6.5%	9.4%	6.9%	5.5%	6.0%	6.7%
U.S. (Billions)	7,802	8,430	8,724	8,882	9,164	9,727	10,301	10,983	11,695	12,255	12,875	13,550
% Ch	5.1%	8.0%	3.5%	1.8%	3.2%	6.2%	5.9%	6.6%	6.5%	4.8%	5.1%	5.2%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	29,788	31,289	32,376	32,690	32,970	35,167	36,214	38,295	40,241	41,728	43,453	45,504
% Ch	4.8%	5.0%	3.5%	1.0%	0.9%	6.7%	3.0%	5.7%	5.1%	3.7%	4.1%	4.7%
Idaho Nonfarm (Millions)	28,748	30,447	31,382	31,795	32,290	34,256	35,429	37,727	39,415	40,844	42,538	44,564
% Ch	4.7%	5.9%	3.1%	1.3%	1.6%	6.1%	3.4%	6.5%	4.5%	3.6%	4.1%	4.8%
U.S. (Billions)	7,996	8,429	8,545	8,578	8,678	8,973	9,231	9,578	9,963	10,255	10,588	10,940
% Ch	3.4%	5.4%	1.4%	0.4%	1.2%	3.4%	2.9%	3.8%	4.0%	2.9%	3.2%	3.3%
<b>HOUSING STARTS</b>												
Idaho	10,363	11,501	12,206	13,224	16,378	18,631	23,305	19,414	16,138	16,470	16,789	17,674
% Ch	2.0%	11.0%	6.1%	8.3%	23.8%	13.8%	25.1%	-16.7%	-16.9%	2.1%	1.9%	5.3%
U.S. (Millions)	1,647	1,573	1,601	1,710	1,854	1,950	2,073	1,812	1,344	1,116	1,403	1,586
% Ch	1.6%	-4.5%	1.8%	6.8%	8.4%	5.2%	6.3%	-12.6%	-25.8%	-17.0%	25.7%	13.1%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	538,101	558,581	568,033	568,043	572,544	588,059	611,713	638,899	650,898	659,784	673,918	693,178
% Ch	3.4%	3.8%	1.7%	0.0%	0.8%	2.7%	4.0%	4.4%	1.9%	1.4%	2.1%	2.9%
U.S. (Thousands)	128,992	131,792	131,832	130,347	129,990	131,423	133,696	136,175	137,919	138,949	140,654	142,375
% Ch	2.4%	2.2%	0.0%	-1.1%	-0.3%	1.1%	1.7%	1.9%	1.3%	0.7%	1.2%	1.2%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	5.0%	6.2%	3.9%	1.7%	1.1%	1.3%	3.2%	5.0%	5.0%	4.3%	4.6%	4.8%
Bank Prime	8.0%	9.2%	6.9%	4.7%	4.1%	4.3%	6.2%	8.0%	8.1%	7.3%	7.6%	7.8%
Existing Home Mortgage	7.3%	8.0%	7.0%	6.5%	5.7%	5.7%	5.9%	6.6%	6.5%	6.5%	6.8%	7.0%
<b>INFLATION</b>												
GDP Price Deflator	1.4%	2.2%	2.4%	1.7%	2.1%	2.9%	3.2%	3.2%	2.6%	1.7%	1.9%	2.0%
Personal Cons Deflator	1.7%	2.5%	2.1%	1.4%	2.0%	2.6%	2.9%	2.8%	2.4%	1.8%	1.7%	1.9%
Consumer Price Index	2.2%	3.4%	2.8%	1.6%	2.3%	2.7%	3.4%	3.2%	2.7%	1.8%	1.8%	1.9%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the THIRD Quarter of 2007**

**IDAHO ECONOMIC FORECAST  
EXECUTIVE SUMMARY  
OCTOBER 2007**

	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>U.S. GDP (BILLIONS)</b>												
Current \$	13,552	13,769	13,892	14,002	14,106	14,232	14,390	14,556	14,749	14,929	15,108	15,296
% Ch	4.9%	6.6%	3.6%	3.2%	3.0%	3.6%	4.5%	4.7%	5.4%	5.0%	4.9%	5.1%
2000 Chain-Weighted	11,413	11,520	11,597	11,639	11,674	11,729	11,810	11,899	11,992	12,080	12,165	12,255
% Ch	0.6%	3.8%	2.7%	1.5%	1.2%	1.9%	2.8%	3.0%	3.2%	3.0%	2.8%	3.0%
<b>PERSONAL INCOME - CURR \$</b>												
Idaho (Millions)	46,384	46,818	47,560	48,177	48,901	49,504	50,197	50,875	51,601	52,424	53,251	54,083
% Ch	11.1%	3.8%	6.5%	5.3%	6.1%	5.0%	5.7%	5.5%	5.8%	6.5%	6.5%	6.4%
Idaho Nonfarm (Millions)	45,384	45,994	46,547	47,137	47,812	48,455	49,167	49,819	50,483	51,331	52,144	52,952
% Ch	8.4%	5.5%	4.9%	5.2%	5.8%	5.5%	6.0%	5.4%	5.4%	6.9%	6.5%	6.3%
U.S. (Billions)	11,469	11,619	11,776	11,914	12,054	12,184	12,317	12,466	12,627	12,792	12,954	13,126
% Ch	10.0%	5.3%	5.5%	4.8%	4.8%	4.4%	4.4%	4.9%	5.2%	5.3%	5.2%	5.4%
<b>PERSONAL INCOME - 2000 \$</b>												
Idaho (Millions)	39,942	39,898	40,389	40,734	41,175	41,506	41,908	42,323	42,750	43,213	43,676	44,172
% Ch	7.3%	-0.4%	5.0%	3.5%	4.4%	3.3%	3.9%	4.0%	4.1%	4.4%	4.4%	4.6%
Idaho Nonfarm (Millions)	39,081	39,196	39,529	39,855	40,258	40,627	41,048	41,445	41,823	42,312	42,768	43,248
% Ch	4.7%	1.2%	3.5%	3.3%	4.1%	3.7%	4.2%	3.9%	3.7%	4.8%	4.4%	4.6%
U.S. (Billions)	9,876	9,902	10,001	10,073	10,149	10,215	10,283	10,371	10,461	10,544	10,625	10,721
% Ch	6.3%	1.0%	4.1%	2.9%	3.0%	2.6%	2.7%	3.5%	3.5%	3.2%	3.1%	3.7%
<b>HOUSING STARTS</b>												
Idaho	16,614	15,718	16,150	16,068	16,389	16,722	16,924	15,845	15,146	18,201	17,545	16,262
% Ch	43.0%	-19.9%	11.5%	-2.0%	8.2%	8.4%	4.9%	-23.2%	-16.5%	108.5%	-13.7%	-26.2%
U.S. (Millions)	1,460	1,464	1,310	1,141	1,013	1,072	1,151	1,229	1,310	1,380	1,435	1,485
% Ch	-22.1%	1.1%	-35.9%	-42.4%	-37.9%	25.4%	32.8%	30.0%	29.2%	23.1%	16.8%	14.8%
<b>TOTAL NONFARM EMPLOYMENT</b>												
Idaho	651,570	648,520	651,033	652,471	655,170	658,078	661,577	664,310	666,915	671,796	676,411	680,549
% Ch	3.9%	-1.9%	1.6%	0.9%	1.7%	1.8%	2.1%	1.7%	1.6%	3.0%	2.8%	2.5%
U.S. (Thousands)	137,447	137,864	138,072	138,294	138,469	138,733	139,094	139,502	139,977	140,457	140,874	141,309
% Ch	1.5%	1.2%	0.6%	0.6%	0.5%	0.8%	1.0%	1.2%	1.4%	1.4%	1.2%	1.2%
<b>SELECTED INTEREST RATES</b>												
Federal Funds	5.3%	5.3%	5.1%	4.5%	4.3%	4.3%	4.3%	4.3%	4.3%	4.5%	4.8%	4.8%
Bank Prime	8.3%	8.3%	8.2%	7.5%	7.3%	7.3%	7.3%	7.3%	7.3%	7.5%	7.8%	7.8%
Existing Home Mortgage	6.4%	6.5%	6.7%	6.5%	6.5%	6.4%	6.4%	6.5%	6.6%	6.8%	7.0%	7.0%
<b>INFLATION</b>												
GDP Price Deflator	4.2%	2.6%	0.9%	1.7%	1.8%	1.7%	1.6%	1.6%	2.1%	2.0%	2.0%	2.0%
Personal Cons Deflator	3.5%	4.3%	1.4%	1.8%	1.7%	1.7%	1.7%	1.4%	1.7%	2.0%	2.0%	1.7%
Consumer Price Index	3.8%	6.0%	1.8%	1.6%	1.5%	1.6%	1.6%	1.3%	1.7%	2.3%	2.2%	1.7%

**National Variables Forecast by GLOBAL INSIGHT  
Forecast Begins the THIRD Quarter of 2007**